

Company:

Arterra Bioscience

Rating:

Buy (confirmed)

Target Price:

€3.6 (from €3.2)

Sector:

Health Care, Biotech

Record-breaking FY24. A good start in 2025

April, 15th 2025 at 11:00

FY24: historical record in volumes and sales. Better revenue mix drives EBITDA.

Arterra achieved record-breaking sales at €4.17m (26% yoy) in 2024, driven exclusively by higher selling volumes and prices in Cosmetics, which turnover grew by 34% yoy to €3.51m. This exceeded our forecast by 6% (*Company Update on October, the 21st 2024*). Total revenue rose to nearly €5.3m (+6% yoy), including a -25% yoy of Research grants (from €1.4m in FY23 to €1m in FY24). EBITDA increased by 7% yoy to €1.7m with margin improving 100 bps to 33%. The figure is 8% above our forecast. EBITDA margin improvement is the result of a better revenue mix with Cosmetics turnover increasing its weight on Total revenue to 67% from 53% in 2023 and Research grants reducing their contribution to Total revenue to 21% from 33% a year earlier. Net income rose even further, by 25% yoy to €1.3m, beating our forecast by some 9%, thanks to: i) lower D&A, given the end of IPO costs amortization and ii) higher dividends distribution by Vitalab. At the end of 2024, net cash declined to €5.5m from €5.7m a year earlier for: i) higher capex reaching 12% of sales in FY24; and ii) slower Net Working Capital turnover especially Receivables for Research grants and Trade which led NWC from 53% in 2023 to 79% of sales at the end of 2024.

Industry trends: clear recovery in 2024

The global Cosmetics market showed resilience, with a 4.1% CAGR expected over the next five years. Western demand for Cosmetics, especially functional make-up, remains strong. While Arterra's portfolio is now compliant with Chinese regulatory changes, demand from China has yet to recover. Additionally, Arterra leverages partnerships with leading multinational brands and with Intercos so that its research-driven edge to adapt quickly to evolving trends. The Company also explores disruptive technologies like plant-based exosomes, which hold potential for groundbreaking applications.

Strategy and Research advances.

Arterra launched 16 new products and 7 patents in 2023-2024, including innovations in Haircare and Cosmetics. Collaborations expanded into Medical Devices, Nutraceuticals, and Agrifood. Notable developments include the JV with Exosomics SpA for plant Exosomes and partnerships like Monte Carlo Fruit for upcycling mango waste into Baby Food. Research into Lactobacillus-based biotech could yield transformative industrial applications.

2025E-2026E estimates fine tuning. Added 2027E.

With respect to our previous Company Update in October, we fine tuned our 2025-2026 estimates and added 2027E. Main difference concerns the perspective Balance Sheet as we had to adjust to slower Net Working Capital turnover in 2024. According to management, the positive trend seen in 2024 is persisting in the first months of 2025. Updated estimates project 15% growth in Cosmetics volumes for 2025, reaching over €4 million in turnover, with a consistent price of €260 per unit. Between 2024 and 2027, Cosmetics sales are expected to grow at a CAGR of 17%, driving EBITDA margin up to 36%. Adjustments to working capital turnover and higher sales forecasts suggest improved free cash flow projections (+30% compared to prior estimates).

Valuation: BUY confirmed; price target raised to €3.6.

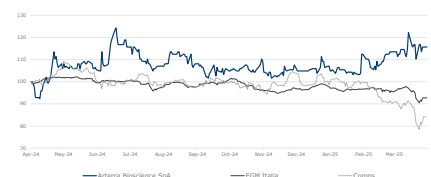
Revised 2025E-2027E P&L and Balance Sheet estimates led to +30% FCFs, but to unchanged Terminal FCF. Together with lower Net Cash at the end of 2024, this led to similar DCF Equity value of €27m or €4.1/share. The de-rating of market multiples since our last Company Update reduced the relative valuation to €22m or €3.3/share, from previous €29m. Despite the Equity Valuation, as the average of DCF and market multiples, came below our previous Company Update in October, we raised our 12-month target price to €3.6/share from the previous 3.2/share. The reason behind this is: i) FY24 are now viewed as solid and sustainable, especially when compared to 1H24 figures and ii) a good start of 2025 adds to the confidence. BUY is confirmed.

Target Price	3.6 €	from €3.2
Recommendation	BUY	Unchanged
Company Profile		
Ticker	ARBS IM (BBG)	ABS-IT (Factset)
Reference Industry	Health Care - Biotech	
Stock Exchange	Italian Stock Exchange - Euronext Growth	
Reference Index	FTSE Italia Small Cap	
Market Data		
Price as of	11/04/2025	2.1
Number of shares (mln)		6.7
Market capitalization (€, mln)		14.2
Max / Min		4.8/1.4
Average daily volumes (1Y)		12,658

Key financials	2022	2023	2024	2025E	2026E	2027E
€/000)						
Total revenue	5,303	4,951	5,266	5,716	6,502	7,574
yoy (%)	15%	-7%	6%	9%	14%	17%
EBITDA	2,133	1,591	1,712	1,908	2,240	2,694
margin (%)	40%	32%	33%	33%	34%	36%
EBIT	1,601	1,059	1,373	1,468	1,730	2,123
margin (%)	30%	21%	26%	26%	27%	28%
Net Income	1,414	1,076	1,337	1,397	1,616	1,940
margin (%)	27%	22%	25%	24%	25%	26%
Net Debt	(3,796)	(5,672)	(5,555)	(6,548)	(7,590)	(8,494)
Equity	10,467	10,752	11,423	11,973	12,607	13,411
Capex	184	83	612	400	300	300
FCFs	779	1,328	-696	1,618	1,791	1,799

Source: Banca Profilo estimates and elaborations, Company data.

1-Year Performance



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SWOT analysis

STRENGTHS

- Outstanding R&D and high qualified Technology Team
- A global market reach with limited sales force investments thanks to the partnership with Intercos and the equity stakes in Vitalab and ADL
- Scalable business model as products and the in-house developed IPs can be applied simultaneously to different end-markets
- Profitable business model, since its set up, for a very low cost of raw materials and an efficient and light organizational structure

WEAKNESSES

- Small size of the business
- End-markets concentration
- Non optimal cash management

OPPORTUNITY

- Bioscience great momentum as product sustainability has become the key mission of many industries
- Significant growth potential and resilience of main end-market, the Cosmetic industry
- Rich opportunities in Medical Devices and Agri-food

THREATS

- Effective end-markets diversification within the planned time frame
- Potential difficulty in maintaining independence from global multinational brands
- Effects of US extreme protectionism

The Industry

China restrictions on cosmetics ingredients. Strong demand of functional make-up from US

Chinese restrictions on active compounds imports
Recovery still slow

China released the final version of CSAR, which introduced new rigid limits on active ingredients to be used in Chinese cosmetics formulas. The changes included new cosmetics definitions, scope and classifications; efficacy claims requirements; safety assessments for cosmetics and rules for the management of new cosmetic ingredients.

Consequently, Arterra had to adapt and test its active compounds according to new Chinese rules. Moreover, the rest of the value chain had significant stock piling that need to be sold in the rest of the world, contracting the demand for active ingredients outside China. Finally, Arterra’s entire portfolio of active ingredients is CSAR compliant. Nevertheless, recovery from China is still very slow.

Robust demand for functional make-up

In Western countries, Cosmetics demand has remained solid, especially for functional make-up in the US.

Cosmetics demand robust growth

Apart from a decrease in 2020 due to the pandemic, global Cosmetics sales have been rising over the twenty years showing a 3% CAGR in 2013-2023. According to Statista, this growth will likely continue at 4.1% CAGR over the next five years.

Figure 1: Global Cosmetics sales 2013-2029E



Source: Banca Profilo elaborations on Statista 2024

Intercos owns production sites in the US

For what concerns recent US recent and high level of protectionism, we highlight that main Arterra’s partner and key shareholder Intercos has production sites in the United States, so any impact of levies is likely to be very limited.

Industry trends: Medical Aesthetics

In terms of Arterra’s compounds industrial applications, consumers have been significantly increasing their spending in Medical Aesthetics and Arterra’s findings on plant-based Exosomes might have applications in this field.

Figure 2: Global Medical Aesthetics sales 2017-2027E



Sources: American Society of Plastic Surgeons; American Med Spa Association; Clarivate; BCG proprietary provider survey; BCG analysis.

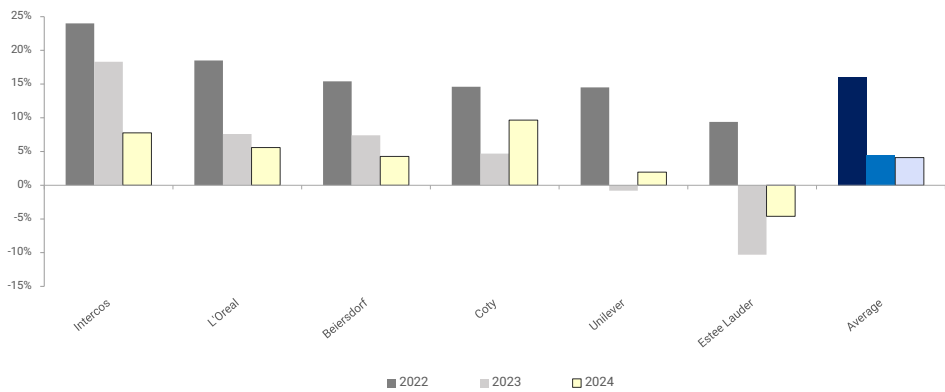
Source: Company data

As emphasized, Arterra’s core competitive edge lies in its ability to: i) forge and maintain a strong partnership with Intercos and leading multinational Cosmetics brands. This synergy, combined with advanced in-house research expertise, allows Arterra to anticipate trends and develop compounds tailored to evolving market needs with exceptional time-to-market; and ii) leverage its robust financial structure, enabling swift capitalization on investment opportunities.

Growth recovery by listed top Arterra’s clients in 2024

In terms of end-markets, listed top Arterra’s clients experienced a general reduction in sales growth or, in a few cases, a sales decline in 2023. Growth remained in the low single digit range, on average, even in 2024, including persisting sales decline in Estee Lauder and an almost double-digit growth at Coty. On average, in 2022 sales growth was over 16% yoy, it declined to 4.5% in 2023 and kept a similar trend in 2024 (+4.1% yoy).

Figure 3: top 7 listed clients – sales growth 2022-2024



Source: Banca Profilo elaborations on Company data, Factset

Arterra Bioscience competitive arena: strategic positioning and competitive advantages

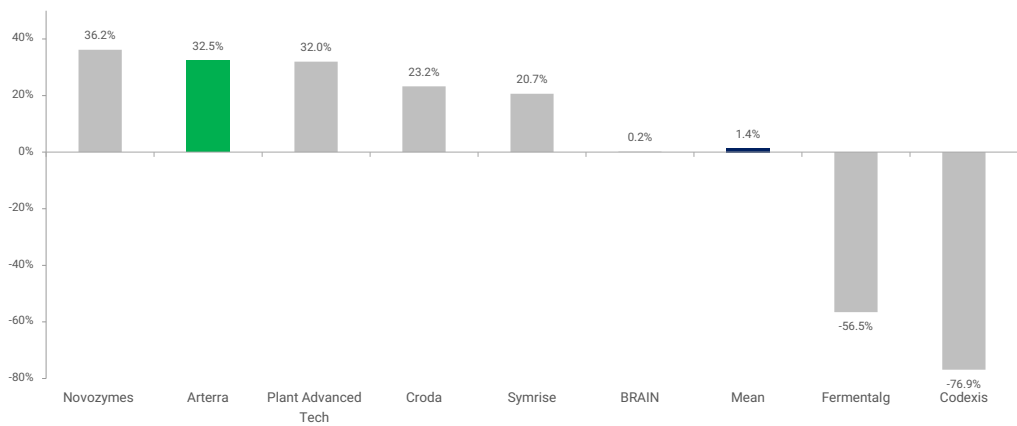
European and US listed biotech

The competitive scenario comprises European and US listed biotech companies active in the research and development of natural substances for industrial green applications.

Arterra profitable business model differs from peers

Main difference between Arterra and its comparables is profitability. Furthermore, Arterra has funded its research, investments, and growth through research grants (at the beginning) with no additional either funds or venture capital needed.

Figure 4: Main international listed players – EBITDA margin in 2024



Source: Banca Profilo elaborations on Company data, Factset

Arterra showed second to the highest 2024 EBITDA margin

Since its foundation, in 2004, Arterra has been showing positive EBITDA, whereas its peers show either negative marginality or much lower profitability than Arterra. We set a sample of listed peers which includes the Danish Novozymes, the British Croda, the German Symrise and Brain, the French Fermentalg and Plant Advanced Technology, and the US Codexis and Yield 10 Bioscience. Moreover, we added more mature specialty chemicals companies that have little operations in Natural Resources, such as Lonza, Ashland, OCI and Wacker Chemie.

In 2024, Arterra confirmed the second highest EBITDA margin among peers' sample.

Novozymes (DK)
DKK 25.5bn turnover
36% EBITDA margin

Novozymes, a Danish biotech-based company that research, develops and obtain enzymes for Industrial usage and addresses them to the technical enzyme market, the food enzyme market and the animal feed enzyme market.

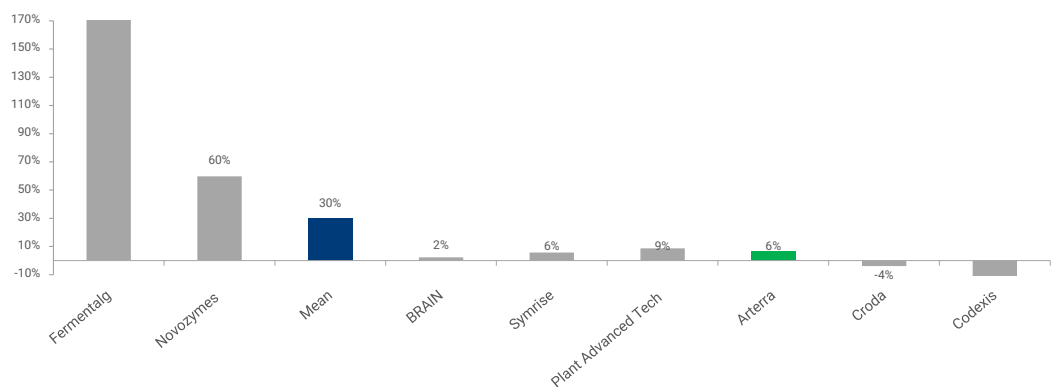
Croda (UK)
GBP 1.6bn turnover
23% EBITDA margin

Croda International Plc, is an English holding of a group of companies that develop specialty chemicals, including oleochemicals (derived from natural oils) and industrial chemicals. Its main end markets are: Consumer Care (35%), including Personal care (natural ingredients for hair, skin especially anti-aging, sun care), Life science (health care and Agriculture with ingredients and formulation to pharma and nutritional markets such as dermatology and animal health and to agrochemical companies); Performance Technologies (34%), to which it delivers high-added value additives such as lubricants for the Automotive and Industrial sectors, coatings and polymers serving Oil & Gas, Water treatment, Packaging sector and Home care ingredients serving Households product manufacturers; Industrial Chemicals (11%) including process additives (fatty acids, glycerin...) to Textiles and other Industrials such as Engineering and Automotive. It is mostly exposed in Western Europe (40%), North America and Asia Pacific.

Symrise (DE)
€5bn turnover
21% EBITDA margin

Symrise AG, is a German developer of fragrance bases, perfume oils, cosmetic raw materials and active ingredients, plant extracts, aroma chemicals, flavorings, fruit powders and seasonings, mostly based on natural raw materials. It addresses mainly to: Cosmetics, Personal care, Household care, Food & Beverage and Pharmaceuticals. Half of its sales come from Europe.

Figure 5: Main international listed players – yoy growth in 2024



Source: Banca Profilo on Company data, Factset

B.R.A.I.N. (DE)
€57mln turnover
0.2% EBITDA margin

Biotechnology Research and Information Network AG, is a German industrial biotech company active in both BioSciences, for research and development, and BioIndustrial, for the development, of own products addressed to companies or end consumers. Main products are enzymes, biocatalysts, strains, and bioactive natural substances. The Company discovers and develops biotech compounds and microbial producer strains. Its end markets are mainly: Chemicals, Cosmetics, Food and Medical technology, as well as Energy companies, Consumer goods manufacturers and the Green Mining sector.

Codexis (USA)
USD 59mIn turnover
USD -46mIn EBITDA

Codexis Inc. is an American developer of protein and biocatalysts through an easy-on-the-environment technology that allows to scale-up and implement biocatalytic solutions for chemical processing. Relevant end-markets include Pharmaceuticals and Chemicals. It has a research agreement with Shell (half of Codexis' sales) to develop new ways of converting biomass into biofuel. It is also working to use its technology to manage carbon emissions from coal-fired power and treat wastewater. Some of its biocatalysts and enzymes are used to produce cholesterol-fighting drugs, allergy drugs and antidepressants. Americas represent almost 60% of Codexis' sales.

Plant Advanced (FR)
€3mIn turnover
32% EBITDA margin

Plant Advanced Technologies SA is a French plant biotechnology firm manufacturing rare new actives for Cosmetics, Pharmaceutical and Agriculture. Its main products are proteins from the liquid of carnivorous plants and other actives from the roots of various plants.

Fermentalg (FR)
€11.5mIn turnover
€ -6.5mIn EBITDA

Fermentalg SA, is a French industrial biotechnology company that obtain active ingredients from micro algae. Experts in microalgae culture and their industrial fermentation processes. Its main products are molecules including Omega 3 fatty acids, natural pigments antioxidants, proteins and biopolymers. It addresses its production to the following end-markets: Agri-food, Healthcare, Nutrition (human and animal) and Petrochemical industries.

Yield10 Bioscience
USD 800k turnover
USD -12mIn EBITDA

Yield10 Bioscience Inc. is an American agricultural bioscience company which focuses on the development of disruptive plant biotechnologies to improve crop productivity and seed yield and enhance global food security. The goal is to improve fundamental elements of plant metabolism through enhanced photosynthetic efficiency and directed carbon utilization. Most of its treatments are applied to canola, soybean, and corn to increase tolerance to drought, flooding and heat and thus raise their food productivity.

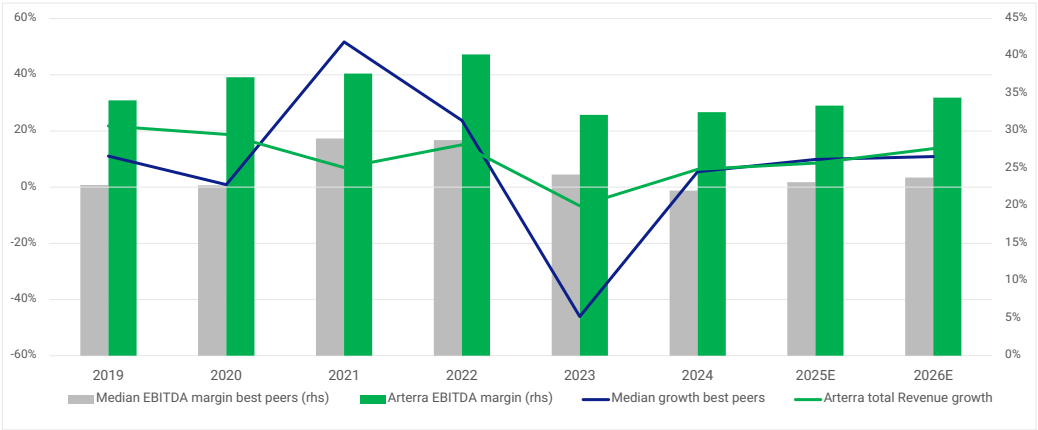
In 2024 Arterra Total revenue +6% yoy

In 2024, Arterra reported a 6% yoy Total revenue growth, which compares to the peers' sample projected average growth of 30%.

Arterra EBITDA marginality above peers' median

Historically, Arterra has shown EBITDA margin above the peers' median, and this was confirmed in 2024 with an EBITDA margin at 33% which is more than 10% above the Sample's median.

Figure 6: Sales growth and marginality 2018-2026E – Sample median vs Arterra



Source: Banca Profilo on Company data, Factset

FY24 results

Back to growth. Record Cosmetics sales and volume drive valuable EBITDA margin

FY24:

Cosmetics sales

+34% yoy to €3.51m

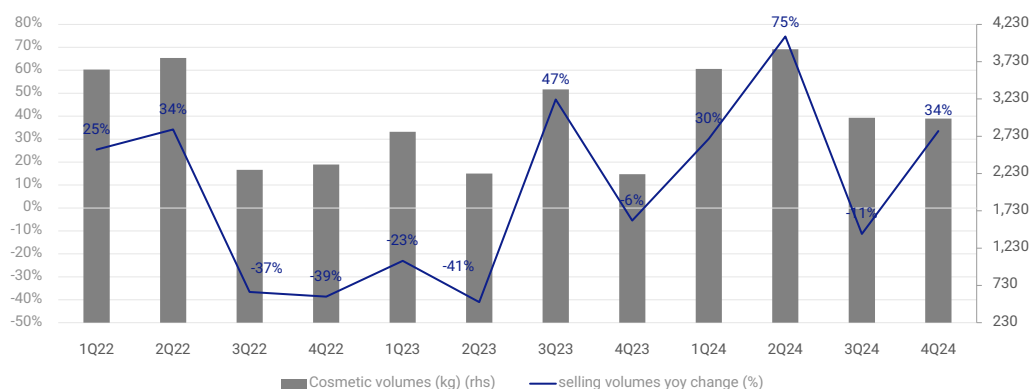
driven by record

selling volumes

In 2024, Arterra reached its historical record results, and it is back to growth after very challenging 2H22 and 1H23.

Turnover rose 26% yoy to €4.17m, driven by Cosmetics sales which rose 34% yoy to €3.51m. This figure is 6% above our estimate (*Company Update on October, the 21th 2024*). Selling volumes reached their high at 13,475 kgs and the unit price rose to €261/kg from €248/kg a year earlier.

Figure 7: Arterra volumes and price quarterly trends 2022-2024



Source: Banca Profilo on Company data

Totale revenue rose
by only 6% yoy for
lower grants

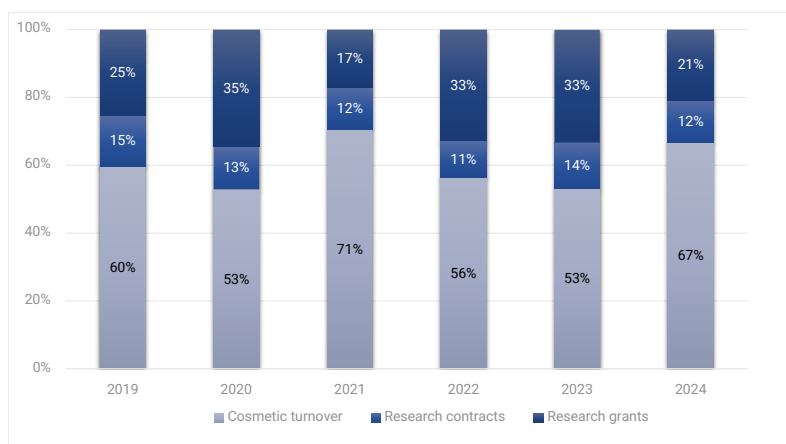
Despite significant growth in Turnover, Total revenue increased by only 6% yoy, to almost €5.3m, as they include a -25% yoy of Research grants (from €1.4m in FY23 to €1m in FY24).

EBITDA margin
+100bps driven by
better revenue mix

Cosmetics brings in
valuable marginality

EBITDA rose 8% yoy to €1.7m with margin improving 100 bps to 33%. The figure is 8% above our forecast. For the first time ever, EBITDA marginality was exclusively driven by Cosmetics sales, which increased their weight on Total revenue to 67% from 53% in 2023, as Research grants declined significantly their contribution to Total revenue to 21% from 33% in 2023. Hence, there is more implicit value in the compounds sold in 2024 and this is partially reflected in a higher price per kg at an average of €261 in 2024 from €248 in FY23.

Figure 8: Arterra revenue mix 2019-2024



Source: Banca Profilo on Company data

Finally, and more specifically, higher concentration of compounds in Cosmetics selling volumes and higher incidence of make-up vs skincare volumes within Cosmetics improved the revenue mix, leading to higher EBITDA margin.

In terms of operating expenses, COGS were basically unchanged yoy (€1.7mIn in 2023 and €1.8mIn in 2024), whereas the cost of Labor increased 8% for jobs requalification and wage increases (+8% yoy the labor cost per unit), even if it kept same incidence on Total revenue at 30%.

End of IPO cost amortization; higher dividends from Vitalab led Net income to its high

Net income rose even more (+25% yoy) reaching its best ever at €1.3mIn, beating our forecast by some 9%, thanks to: i) lower D&A (from 11% in 2023 to 6% of Total revenue in 2024), given the end of IPO costs amortization and ii) higher dividends distribution by Vitalab (to €200k in 2024 from €160k in 2023).

Table 1: Arterra Profit and Loss 2019-2024

Profit & Loss										
	€/'000	2017	2018	2019	2020	2021	2022	2023	2024	2024E
Cosmetic turnover		1,503	1,868	2,167	2,281	3,253	2,984	2,633	3,515	3,307
yoy			24%	16%	5%	43%	-8%	-12%	34%	26%
Nutraceutical/Medical Devices		0	0	0	0	0	0	0	0	0
Agriculture/Agri-food		0	0	0	0	0	0	0	0	0
Research contracts and services		551	559	542	541	573	580	671	658	676
Licences and royalties		0	0	0	0	0	0	0	0	0
Total turnover		2,054	2,427	2,709	2,822	3,826	3,563	3,304	4,173	3,983
yoy			18%	12%	4%	36%	-7%	-7%	26%	22%
cosmetic volumes (kg)		5,690	7,142	8,839	9,117	13,342	12,036	10,599	13,475	12,719
yoy			26%	24%	3%	46%	-10%	-12%	27%	20%
avg cosmetic price (€/kg)		264	262	245	250	244	248	248	261	260
Research grants and stock changes		692	551	917	1,487	783	1,740	1,647	1,093	1,000
% on sales		25%	18%	25%	35%	17%	33%	33%	21%	20%
Total Revenue		2,746	2,978	3,627	4,309	4,609	5,303	4,951	5,267	4,983
yoy			45%	8%	22%	19%	7%	15%	-7%	6%
raw materials cost		(210)	(259)	(455)	(525)	(318)	(507)	(425)	(463)	
cost of services		(466)	(533)	(726)	(873)	(986)	(1,140)	(1,292)	(1,331)	(1,770)
% on total revenue		25%	27%	33%	32%	28%	31%	35%	34%	36%
cost of labour		(736)	(847)	(1,025)	(1,128)	(1,228)	(1,391)	(1,476)	(1,598)	(1,485)
% on total revenue		27%	28%	28%	26%	27%	26%	30%	30%	30%
lease		(123)	(146)	(146)	(151)	(158)	(83)	(82)	(95)	(88)
other operating costs		(43)	(53)	(38)	(30)	(184)	(51)	(85)	(66)	(50)
EBITDA		1,167	1,140	1,236	1,602	1,736	2,133	1,591	1,713	1,590
margin		43%	38%	34%	37%	38%	40%	32%	33%	32%
# employees		n.a.	20	28	30	35	36	34	34	31
labor cost per unit			(42)	(37)	(38)	(35)	(39)	(43)	(47)	(48)
D&A		(143)	(73)	(296)	(400)	(487)	(532)	(532)	(339)	(369)
% on total revenue		5%	2%	8%	9%	11%	10%	11%	6%	7%
EBIT		1,024	1,067	940	1,201	1,249	1,601	1,059	1,373	1,221
margin		37%	36%	26%	28%	27%	30%	21%	26%	24%
net financial income (expenses)		(7)	6	1	(2)	26	197	243	328	306
% on total revenue		-0.2%	0.2%	0.0%	0.0%	0.6%	3.7%	4.9%	6.2%	6.1%
EBT		1,017	1,073	941	1,199	1,274	1,797	1,302	1,702	1,526
margin		37%	36%	26%	28%	28%	34%	26%	32%	31%
taxes		(272)	(29)	(83)	(91)	(163)	(383)	(226)	(365)	(305)
tax rate		27%	3%	9%	8%	13%	21%	17%	21%	20%
Net income		745	1,044	857	1,109	1,111	1,414	1,076	1,337	1,221
% on total revenue		27%	35%	24%	26%	24%	27%	22%	25%	25%

Source: Banca Profilo on Company data

Quite stable Net Cash at the end of 2024. Above €5.5mln

At the end of 2024, net cash slightly declined to €5.5mln from €5.7mln at the end of 2023 for: i) higher capex in the second half of the year, which reached 12% of sales in FY24; and ii) slower Net Working Capital turnover especially Receivables for research grants and Trade receivables which led NWC to 79% of sales at the end of 2024 from 53% a year earlier.

Table 2: Arterra Balance Sheet and Free Cash Flows 2019-2024

Balance Sheet										
	€/000	2017	2018	2019	2020	2021	2022	2023	2024	2024E
tangibles		185	567	1278	1400	1662	1535	1232	1508	1566
intangibles		27	108	706	567	442	204	40	36	40
financials		462	452	452	452	949	982	982	982	982
Fixed assets		675	1,127	2,437	2,419	3,052	2,722	2,254	2,526	2,588
other current net receivables		131	177	452	912	914	227	869	98	869
receivables from grants		1,176	1,062	495	585	755	905	816	1,455	696
trade receivables		303	630	414	339	806	774	695	1,628	1,014
inventories		263	267	425	570	488	1,157	1,356	1,330	1,278
trade paybles		(161)	(257)	(500)	(188)	(250)	(188)	(250)	(276)	(275)
Net operating Working Capital		1,582	1,702	834	1,306	1,798	2,648	2,617	4,139	2,712
% on total revenue		58%	57%	23%	30%	39%	50%	53%	79%	54%
receivables from grants (% grants)		170%	193%	54%	39%	96%	52%	50%	133%	70%
trade receivables (% revenue)		11%	21%	11%	8%	17%	15%	14%	31%	20%
inventories (% revenue)		10%	9%	12%	13%	11%	22%	27%	25%	26%
trade paybles (% COGS)		24%	32%	42%	13%	19%	11%	15%	15%	16%
Capex		50	536	1,897	383	609	184	83	612	704
tangible		28	447	1143	342	541	179	66	588	666
intangibles		22	89	754	40	68	5	17	24	37
% on total revenue		2%	18%	52%	9%	13%	3%	2%	12%	14%
Provisions		(629)	(630)	(504)	(522)	(522)	(522)	(659)	(895)	(762)
Invested Capital		1,757	2,375	3,218	4,115	5,241	5,075	5,080	5,868	5,407
shareholders' equity		250	250	327	330	333	333	333	333	333
reserves		720	1,265	5,926	6,742	8,029	8,720	9,343	9,753	9,886
net income		745	1,044	857	1,108	1,111	1,414	1,076	1,337	1,221
Equity		1,715	2,559	7,110	8,181	9,473	10,467	10,752	11,423	11,440
Net debt (cash)		42	(185)	(3,892)	(4,066)	(4,232)	(5,392)	(5,672)	(5,555)	(6,033)
adj Net debt (cash)		771	464	(3,439)	(3,727)	(4,199)	(3,796)	(3,300)	(3,083)	(6,033)

Free Cash Flows										
	€/000	2017	2018	2019	2020	2021	2022	2023	2024	2024E
EBIT		1,024	1,067	940	1,201	1,249	1,601	1,059	1,373	1,221
tax (figurative)		(205)	(213)	(188)	(240)	(250)	(320)	(212)	(275)	(244)
NOPAT		819	854	752	961	999	1,281	847	1,099	976
D&A		143	73	296	400	487	532	532	339	369
Gross FCF		962	927	1,048	1,361	1,486	1,812	1,380	1,438	1,346
change in Net Working Capital		(219)	(120)	868	(472)	(492)	(850)	31	(1,522)	(96)
capex		(50)	(536)	(1,153)	(383)	(609)	(184)	(83)	(612)	(704)
Free Cash Flow		693	270	763	507	385	779	1,328	-696	547

Source: Banca Profilo on Company data

Cash absorption from NWC and Capex

Despite rising EBIT and Gross Free Cash Flow, the surprisingly increase in Net Operating Working Capital and planned higher Capex drove to negative Free Cash Flow in 2024, missing our projections.

Strategy Update

Research and partnerships in Medical Devices and Agri-food. Expanding in Cosmetics via Vitalab.

Production capacity expansion	Since its IPO, in 2019, Arterra invested in production capacity and research activity expansion. In 2021, The Company extended further its production plant, bought additional equipment, and invested in technology to enhance cellular growth. This process is still ongoing with new investments in headquarter expansion and new production equipment.
Process optimization	Furthermore, in 2020-2022 Arterra strengthened its organization by appointing a COO (Giuseppe Ferrante), an R&D Coordinator (Vincenzo Fogliano), a Grant & IP Director (Marida Bimonte), a Cell & Molecular Biology Director (Annalisa Tito) and a Marketing & Sales Project Manager (Maura Angelillo). In 2023, Arterra introduced a new organizational layer, the Middle management, to streamline research and production processes.
Organization streamlining	
New products in Cosmetics	Since 2023, 16 new products and 7 patents have been launched in Cosmetics (skincare and makeup), including ingredients specifically addressed to China. Furthermore, a new patent for active ingredients able to stimulate hair growth has been filed in Haircare.
End-market diversification: a new patent in Haircare	In-vitro research, especially on skin and on the intestine, led to new contracts in Agrifood, Nutraceutical and Medical Devices. With Monte Carlo Fruit, the upcycle of the mango waste led to new products in the Bay Food; with ADL and ABR new valid natural products for skin acne, atopic rash and Irritable Bowel Syndrome have been developed.
Diversification in Medical Devices and Agri-Food	A new potentially disruptive biotech proprietary technology based on the Lactobacillus might lead to innovative compounds in numerous industrial applications.
New proprietary IP	Finally, the research on Extracellular Vesicles, such as Exosomes has led to several complex biological functions and claimed properties to be used in Cosmetics, Medical Aesthetics and Medical treatments. The plant Exosomes technology drove to a JV with Exosomics SpA in July.
Exosomes Technology	
Diversification Medical Devices: Arterra-ADL	Moving into Medical Devices, in April 2021, Arterra signed its first agreement with ADL Farmaceutici for a 5-year production and license of mix of four active compounds named "ArterraBio Complex I" against skin acne. This first agreement became a stake acquisition when, in June 2021, Arterra subscribed to the capital increase by ADL acquiring a 6.81% stake.
Patents in Medical Devices	Arterra and ADL are also working for the development of a product for the treatment of atopic dermatitis, both through topical and oral use. In 2020-2023, two extracts have been patented: olive and prickly pear leaf extract for preventing and treating atopic dermatitis; Punica granatum peels extract for treating viral infections.
Arterra- ABR	Finally, Arterra and ABR (Croda Group) are starting a clinical study for co-development of a valid natural product able to treat the Irritable Bowel Syndrome.

Figure 9: Arterra's diversification into Medical Device



Source: Company data

Agrifood:
Arterra-
MONTECARLOFRUIT

Arterra continues with research in Agri-food. In June 2021, Arterra and Montecarlofruit signed a research agreement for the up cycling of mango waste. Montecarlofruit is active in the production of aseptic mango fruit puree for baby food, in Mali. Further development into Nutraceutical is ongoing.

Figure 10: Research agreement Arterra-Montecarlofruit

AGRIFOOD Co-Development



Up-cycling of the mango waste

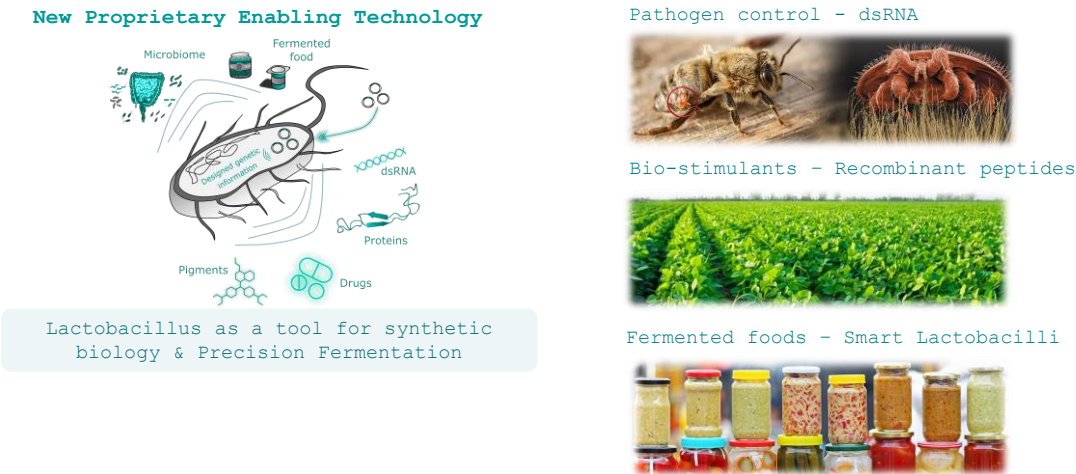


Source: Company data

New proprietary
enabling Technology

Finally, a new potentially disruptive proprietary enabling technology based might lead to innovative compounds in Agriculture, Medica Devices, Agri-food and even Pharma. It concerns the possibility of expressing in a bacterial system, more common, more “acceptable” and less “dangerous” than currently used E.coli. This can be an alternative tool for synthetic biology and precision fermentation. 3 new proprietary lactobacilli strains, which have been isolated from raw buffalo milk and Sardinian Pecorino cheese, have been registered and a patent on genetic elements has been filed to produce proteins, nucleic acids and new metabolic streams for numerous industrial applications, together with prospect partners in pharma and biotech.

Figure 11: New Proprietary Enabling Technology



Source: Company data

Consolidating in
Skincare and makeup
A new industrial
application: Haircare

In Cosmetics, since 2023 Arterra has brought 16 new products on the market and 7 patents. More recently and driven by the acquisition of Cosmit by Intercos, Arterra started research for a new industrial application: Haircare. A patent for some active ingredients able to stimulate hair growth has been filed.

Figure 12: Innovation in Cosmetics - Haircare



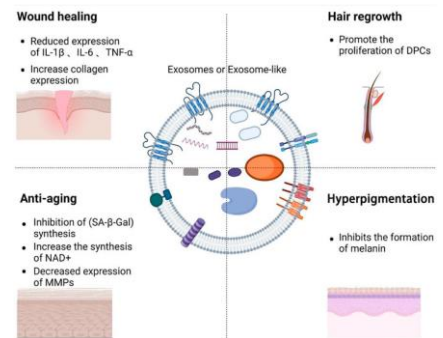
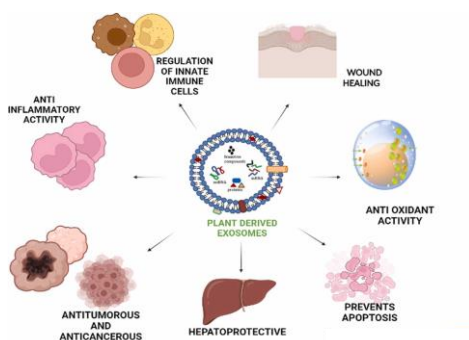
Source: Company data

Innovation in Cosmetics Extracellular vesicles Plant Exosomes

In 2023, further innovation has been started in Cosmetics including: i) powder active ingredients for make-up application, which is ready for the market; ii) recombinant peptides using molecular farming technology, such as Vegan Collagen, which will be ready by the end of this year; iii) post biotics using precision fermentation technology leading to three new proprietary strains which are ready for industrialization; iv) new delivery systems and iv) plant-based extracellular vesicles, such as plant Exosomes, having a number of complex biological functions and containing components with relevant claimed properties including anti-inflammatory, anti-tumorous and anti-cancerous activity and hepatoprotective action in medical care or wound healing, hair regrowth, anti-aging and hyperpigmentation action to be used in Skincare and professional beauty treatments.

Figure 13: Innovation in Cosmetics - plant Exosomes, claimed properties and their industrial applications

Medical care



Professional beauty treatments

Skincare



Source: Company data

JV on Exosomes with Exosomics SpA

The Exosomes technology is leading to partnerships. In July 2024, Arterra signed a key strategic partnership with Exosomics SpA to set up a Joint Venture for developing active ingredients based on plant exosomes to be addressed to the Medical Aesthetics, Medical Devices and Bio medics.

Going more deeply into more recent Research activities, Arterra plans to launch five products and develop five more in 2025, including the first vegan collagen active through molecular farming and innovative "powder actives" created with Intercos. It has enhanced ex vivo testing platforms

for evaluating the efficacy and skin permeability of cosmetic actives and advanced in vitro gut models, fostering collaborations with pharmaceutical companies. Research achievements include seven scientific publications, two patent applications, and progress in extracellular vesicles (exosomes), leading to the founding of LongEVity with Exosomics in 2024 to explore applications in cosmetics, aesthetic medicine, and medical devices. Arterra also continues to drive innovation through publicly funded research projects.

Estimates update

2025-2026 estimates revision. Adding 2027E.

2025-2026
projections fine
tuning. Adding 2027

In this report we update our previous 2025-2026 projections [*Company Update on October the 21st 2024*], amid FY24 results and according to strategic development and management guidance. With respect to our previous Company Update in October, we fine-tuned our 2025-2026 estimates and added 2027E.

Cosmetics turnover
growth recovery is
grounded.

Main difference concerns the perspective Balance Sheet as we had to adjust to lower Net Working Capital turnover in 2024.

The positive trend
persists in the first
months of 2025

According to management, the positive trend seen in 2024 is continuing in the first months of 2025. Therefore, we now see Cosmetics selling volumes to grow 15% in 2025 to almost 15,500 kgs at a constant price per unit of €260 leading to a new record above €4mln turnover this year.

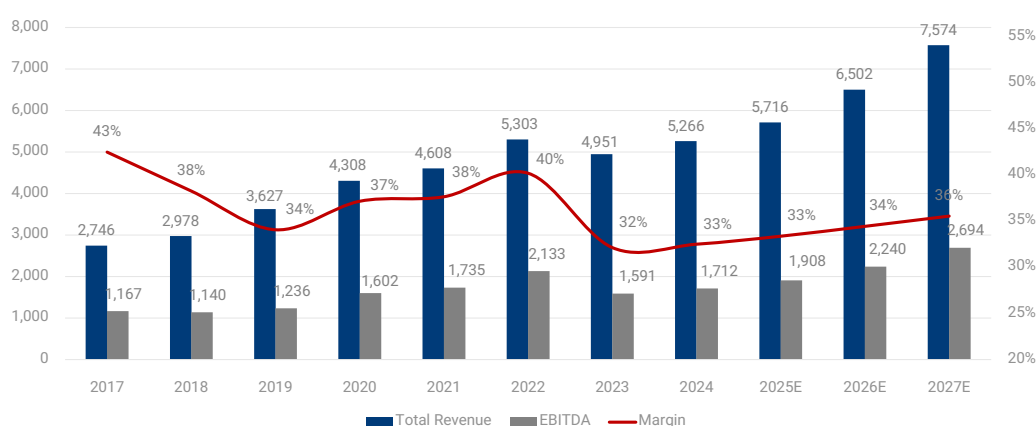
Sales CAGR 2025-
2027E at 17%

EBITDA margin
+300bps

For the three-year projections, we now expect 2024-2027E Cosmetics sales CAGR at 17% driven by increasing selling volumes to some 22,000 kgs and quite stable unit selling price. In terms of revenue mix, we keep Cosmetics turnover at 70% contribution to Total revenue and Research grants at some 20% weight.

We forecast EBITDA margin to improve 300bps to 36% driven by Revenue growth and some operating leverage on fixed costs.

Figure 14: Revenue, EBITDA and margin 2017-2027E



Source: Banca Profilo on Company data

Net Income CAGR
2024-2027E at 13%;
Net margin above 25%

The remaining P&L metrics see a lower D&A as the IPO costs amortization ends and higher financial income coming from both liquidity investments and some €200k of yearly dividends from Vitalab; 20% tax rate is confirmed.

Net income is now seen growing at 13% CAGR in 2024-2027E to reach €1.9mln or 26% margin, which compares to respectively €1.7mln and same perspective marginality, but in 2026, according to our previous Company Update, published in October.

Table 3: P&L estimates old vs new 2025E-2027E

Profit & Loss															
	€/000	2017	2018	2019	2020	2021	2022	2023	2024	2024E	2025E old	2025E new	2026E old	2026E new	2027E new
Cosmetic turnover		1,503	1,868	2,167	2,281	3,253	2,984	2,633	3,515	3,307	3,968	4,029	4,762	4,714	5,657
yoy			24%	16%	5%	43%	-8%	-12%	34%	26%	20%	22%	18%	17%	19%
Nutraceutical/Medical Devices		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Agriculture/Agri-food		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Research contracts and services		551	559	542	541	573	580	671	658	676	783	572	915	650	757
Licences and royalties		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total turnover		2,054	2,427	2,709	2,822	3,826	3,563	3,304	4,173	3,983	4,752	4,601	5,677	5,364	6,414
yoy			18%	12%	4%	36%	-7%	-7%	26%	22%	19%	16%	23%	17%	13%
cosmetic volumes (kg)		5,690	7,142	8,839	9,117	13,342	12,036	10,599	13,475	12,719	15,262	15,496	18,315	18,131	21,757
yoy			90%	26%	24%	46%	-10%	-12%	27%	20%	20%	22%	18%	17%	19%
avg cosmetic price (€/kg)		264	262	245	250	244	248	248	261	260	260	260	260	260	260
Research grants and stock changes		692	551	917	1,487	783	1,740	1,647	1,093	1,000	1,050	1,115	1,103	1,138	1,160
% on sales		25%	18%	25%	35%	17%	33%	33%	21%	20%	18%	20%	16%	17%	15%
Total Revenue		2,746	2,978	3,627	4,309	4,609	5,303	4,951	5,267	4,983	5,802	5,716	6,780	6,502	7,575
yoy		45%	8%	22%	19%	7%	15%	-7%	6%	2%	14%	15%	14%	12%	33%
raw materials cost		(210)	(259)	(455)	(525)	(318)	(507)	(425)	(463)						
cost of services		(466)	(533)	(726)	(873)	(986)	(1,140)	(1,292)	(1,331)	(1,770)	(1,983)	(1,919)	(2,250)	(2,182)	(2,542)
% on total revenue		25%	27%	33%	32%	28%	31%	35%	34%	36%	34%	34%	33%	34%	34%
cost of labour		(736)	(847)	(1,025)	(1,128)	(1,228)	(1,391)	(1,476)	(1,598)	(1,485)	(1,713)	(1,728)	(1,951)	(1,918)	(2,177)
% on total revenue		27%	28%	28%	26%	27%	26%	30%	30%	30%	30%	30%	29%	29%	29%
lease		(123)	(146)	(146)	(151)	(158)	(83)	(82)	(95)	(88)	(88)	(95)	(88)	(95)	(95)
other operating costs		(43)	(53)	(38)	(30)	(184)	(51)	(85)	(66)	(50)	(50)	(66)	(50)	(66)	(66)
EBITDA		1,167	1,140	1,236	1,602	1,736	2,133	1,591	1,713	1,590	1,968	1,908	2,442	2,240	2,694
margin		43%	38%	34%	37%	38%	40%	32%	33%	32%	34%	33%	36%	34%	36%
# employees		n.a.	20	28	30	35	36	34	34	31	33	35	35	37	40
labor cost per unit			(42)	(37)	(38)	(35)	(39)	(43)	(47)	(48)	(52)	(49)	(56)	(52)	(54)
D&A		(143)	(73)	(296)	(400)	(487)	(532)	(532)	(339)	(369)	(480)	(440)	(560)	(510)	(570)
% on total revenue		5%	2%	8%	9%	11%	10%	11%	6%	7%	8%	8%	8%	8%	8%
EBIT		1,024	1,067	940	1,201	1,249	1,601	1,059	1,373	1,221	1,488	1,468	1,882	1,730	2,123
margin		37%	36%	26%	28%	27%	30%	21%	26%	24%	26%	26%	26%	27%	28%
net financial income (expenses)		(7)	6	1	(2)	26	197	243	328	306	280	278	291	291	301
% on total revenue		-0.2%	0.2%	0.0%	0.0%	0.6%	3.7%	4.9%	6.2%	6.1%	4.8%	4.9%	4.3%	4.5%	4.0%
EBT		1,017	1,073	941	1,199	1,274	1,797	1,302	1,702	1,526	1,769	1,746	2,173	2,020	2,425
margin		37%	36%	26%	28%	28%	34%	26%	32%	31%	30%	31%	32%	31%	32%
taxes		(272)	(29)	(83)	(91)	(163)	(383)	(226)	(365)	(305)	(354)	(349)	(435)	(404)	(485)
tax rate		27%	3%	9%	8%	13%	21%	17%	21%	20%	20%	20%	20%	20%	20%
Net income		745	1,044	857	1,109	1,111	1,414	1,076	1,337	1,221	1,415	1,397	1,738	1,616	1,940
% on total revenue		27%	35%	24%	26%	24%	27%	22%	25%	25%	24%	24%	26%	25%	26%

Source: Banca Profilo estimates and Company data

Balance Sheet:
Gradual cash in of
grants and trade
receivables;
€1mln capex;
generous dividend
policy

Regarding the Balance Sheet, we postponed to 2027 the return of Net Operating Working capital to some 50% of sales with gradual cash in of grants and trade receivables.

This will lead to lower net cash at the end of 2025 (€6.6mln vs previous €7.8mln), rebalancing towards the end of 2026 and reaching almost €8.5mln at the end of 2027. Net Cash assumptions include also €1mln capex over the three-year period and a generous dividend distribution policy (some 70% of consolidate Net income).

Table 4: Balance Sheet old vs new estimates 2025E-2027E

Balance Sheet															
	€/000	2017	2018	2019	2020	2021	2022	2023	2024	2024E	2025E old	2025E new	2026E old	2026E new	2027E new
tangibles		185	567	1278	1400	1662	1535	1232	1508	1566	1,513	1472	1,388	1282	1039
intangibles		27	108	706	567	442	204	40	36	40	14	32	(21)	11	-16
financials		462	452	452	452	949	982	982	982	982	982	982	982	982	982
Fixed assets		675	1,127	2,437	2,419	3,052	2,722	2,254	2,526	2,588	2,508	2,485	2,349	2,275	2,005
other current net receivables		131	177	452	912	914	227	869	98	869	869	98	869	98	98
receivables from grants		1,176	1,062	495	585	755	905	816	1,455	696	730	927	756	604	593
trade receivables		303	630	414	339	806	774	695	1,628	1,014	1,162	1,659	1,358	1,627	1,593
inventories		263	267	425	570	488	1,157	1,356	1,330	1,278	1,356	1,444	1,517	1,643	1,914
trade paybles		(161)	(257)	(500)	(188)	(250)	(188)	(250)	(276)	(275)	(288)	(295)	(304)	(335)	(391)
Net operating Working Capital		1,582	1,702	834	1,306	1,798	2,648	2,617	4,139	2,712	2,960	3,735	3,326	3,538	3,709
% on total revenue		58%	57%	23%	30%	39%	50%	53%	79%	54%	51%	65%	49%	54%	49%
receivables from grants (% grants)		170%	193%	54%	39%	96%	52%	50%	133%	70%	70%	83%	69%	53%	51%
trade receivables (% revenue)		11%	21%	11%	8%	17%	15%	14%	31%	20%	20%	29%	20%	25%	21%
inventories (% revenue)		10%	9%	12%	13%	11%	22%	27%	25%	26%	23%	25%	22%	25%	25%
trade paybles (% COGS)		24%	32%	42%	13%	19%	11%	15%	15%	16%	15%	15%	14%	15%	15%
Capex		50	536	1,897	383	609	184	83	612	704	400	400	400	300	300
tangible		28	447	1143	342	541	179	66	588	666	379	360	379	270	270
intangibles		22	89	754	40	68	5	17	24	37	21	40	21	30	30
% on total revenue		2%	18%	52%	9%	13%	3%	2%	12%	14%	7%	7%	6%	5%	4%
Provisions		(629)	(630)	(504)	(522)	(522)	(522)	(659)	(895)	(762)	(762)	(895)	(762)	(895)	(895)
Invested Capital		1,757	2,375	3,218	4,115	5,241	5,075	5,080	5,868	5,407	4,534	5,424	5,781	5,017	4,917
shareholders' equity		250	250	327	330	333	333	333	333	333	333	333	333	333	333
reserves		720	1,265	5,926	6,742	8,029	8,720	9,343	9,753	9,886	10,565	10,243	11,313	10,658	11,138
net income		745	1,044	857	1,108	1,111	1,414	1,076	1,337	1,221	1,415	1,397	1,738	1,616	1,940
Equity		1,715	2,559	7,110	8,181	9,473	10,467	10,752	11,423	11,440	12,312	11,973	13,384	12,607	13,411
Net debt (cash)		42	(185)	(3,892)	(4,066)	(4,232)	(5,392)	(5,672)	(5,555)	(6,033)	(7,778)	(6,548)	(7,603)	(7,590)	(8,494)
adj Net debt (cash)		771	464	(3,439)	(3,727)	(4,199)	(3,796)	(3,300)	(3,083)	(6,033)	(7,778)	(6,548)	(7,603)	(7,590)	(8,494)

Source: Banca Profilo estimates and Company data

2025E-2027E

FCFs at €5.2mln

In terms of Free Cash Flows, we project 2025E-2027E cumulated cash generation at €5.2mln, which is 30% above our previous projections, as higher EBIT and lower Capex will more than offset lower cash generation from NWC changes.

Table 5: Free Cash Flows old vs new estimates 2025E-2027E

Free Cash Flows															
	€/000	2017	2018	2019	2020	2021	2022	2023	2024	2024E	2025E old	2025E new	2026E old	2026E new	2027E new
EBIT		1,024	1,067	940	1,201	1,249	1,601	1,059	1,373	1,221	1,488	1,468	1,882	1,730	2,123
tax (figurative)		(205)	(213)	(188)	(240)	(250)	(320)	(212)	(275)	(244)	(298)	(294)	(376)	(346)	(425)
NOPAT		819	854	752	961	999	1,281	847	1,099	976	1,191	1,174	1,506	1,384	1,699
D&A		143	73	296	400	487	532	532	339	369	480	440	560	510	570
Gross FCF		962	927	1,048	1,361	1,486	1,812	1,380	1,438	1,346	1,670	1,615	2,066	1,894	2,269
change in Net Working Capital		(219)	(120)	868	(472)	(492)	(850)	31	(1,522)	(96)	(248)	403	(366)	197	(382)
capex		(50)	(536)	(1,153)	(383)	(609)	(184)	(83)	(612)	(704)	(400)	(400)	(400)	(300)	(300)
Free Cash Flow		693	270	763	507	385	779	1,328	-696	547	1,023	1,618	1,300	1,791	1,587

Source: Banca Profilo estimates and Company data

Main risks to our estimates

Main downside risk to our estimates remains Arterra's effective capacity to reach a relevant scale, also in new end-markets. We also see the lack of net cash optimization with persisting cumulating cash and low capex.

Valuation

DCF: Arterra cash generating business

Given Arterra's cash generating business model, a DCF method well adapts as a valuation approach.

Market multiples can also be used

For what concerns the market multiples approach, the listed international research-based companies represent a fitting panel of comparables for suggesting an appropriate relative valuation using market multiples.

DCF

DCF assumptions:

To run a DCF model, we use our projected FCFs for the 2025E-27E explicit period. With respect to our last Company Update in October, cumulated FCFs have increased by 30% to €5.2mln from the previous 3.9mln.

€5.2mln of cumulated FCFs (+30%)

To assess the Terminal Value, we factor in:

- an annual FCF generation of €1.1mln (unchanged), corresponding to the average FCF in 2024-2027E;
- perpetual growth rate of 2% (unchanged).

€1.1mln as Terminal Value cash flow (unchanged)

To get to the Equity Valuation, we would consider the reported net cash at the end of December 2024 at €5.5mln, which is lower than our forecast at €6.1mln.

Table 6: DCF valuation

DCF Valuation	2024	2025E	2026E	2027E	over
Free Cash Flows (€/000)	-696	1,618	1,791	1,799	1,128
years		1	2	3	
discount factor		0.93	0.86	0.79	
NPV Cash flows (€/000)		1,497	1,533	1,424	
Sum of NPVs (€/000)					4,454
Terminal Value (€/000)					18,500
NPV Terminal Value (€/000)					14,646
Enterprise Value (€/000)					19,100
peripheral assets: Vitalab (@40%)					2,314
Net debt December 2024 (€/000)					-5,555
Equity Value (€/000)					26,969
number of shares (mln)					6.7
Per share value (€)					4.1

Source: Banca Profilo estimates and Company data

Updated WACC at 8.1% according to expectations on interest rates path

We adjusted WACC to include updates on the risk-free rate and ended up with 8.1% (vs previous 8.4%), which includes:

- risk free rate at 4.3% (unchanged), according to 100-day 30-year BTP yield moving average and to the expected path of BCE monetary easing policy.
- market risk premium at 5.5% (unchanged);
- beta at 1 (vs previous 1.1), as the average of chosen listed peers to Arterra;
- debt to equity target structure with an 80% weight on Equity (unchanged).

Table 7: WACC calculation

WACC Calculation	
perpetual growth rate	2.0%
WACC	8.1%
risk free rate (30Y)	4.3%
equity risk premium	5.5%
beta	1.0
KE	9.8%
cost of debt	1%
tax rate	20%
KD	1%

Source: Banca Profilo estimates and Company data

DCF Equity valuation: We run the DCF model and end up with an Enterprise Value of €19.1m (vs previous €17.4m) and an Equity Value of €27m (vs previous €27m) or €4.1/share (unchanged) as higher (+30%) cumulated DCF explicit Free Cash Flows and lower WACC have been offset by lower Vitalab valuation (-35%), deriving from a de-rating of market multiples, and by lower net cash.

Relative market multiples valuation

EV/SALES and EV/EBITDA used to assess the market multiples valuation of Arterra according to two selected sub-samples

To assess the relative valuation of Arterra through the market multiples approach, we divided our panel of comparables into two set of peers:

- a first sub-sample of Arterra's peers, mostly by business and potential growth, but with negative EBITDA margin, including BRAIN, Fermentalg, Plant Advanced Technologies, Codexis and Yield10 Bioscience;
- a second sub-sample of Arterra's peers, mainly by margins and cash flow generation, including Croda, Symrise, Novozymes, Lonza, Ashland, OCI and Wacker Chemie.

Table 8: Sample benchmarking on revenue growth and EBITDA margin

Company	Currency	Market Cap (m)	Enterprise Value (m)	Sales growth																		EBITDA margin					
				2019	2020	2021	2022	2023	2024	2025E	2026E	2018	2019	2020	2021	2022	2023	2024	2025E	2026E							
09/04/2025																											
BRAIN Biotech	EUR	49	60	24.8%	-0.5%	7.6%	23.7%	8.3%	2.3%	9.9%	10.9%	-16.7%	-7.3%	-9.1%	-4.2%	0.1%	0.3%	0.2%	3.5%	7.7%							
Croda	GBP	3,689	4,229	-0.7%	0.9%	35.9%	10.6%	-18.9%	-3.9%	4.2%	5.8%	28.5%	28.8%	27.9%	29.0%	28.8%	24.2%	23.2%	24.5%	26.0%							
Symrise	EUR	12,876	14,765	8.0%	3.3%	8.7%	20.7%	2.4%	5.7%	5.4%	6.1%	20.0%	20.3%	21.1%	21.3%	20.0%	19.1%	20.7%	21.2%	21.5%							
Fermentalg	EUR	26	18	n.m.	16.3%	155.3%	35.1%	-46.1%	180.4%	46.2%	46.2%	n.m.	n.m.	n.m.	n.m.	n.m.	-190.2%	-56.5%	-26.5%	-12.4%							
Plant Advanced Technologies	EUR	12	17	9.1%	4.7%	83.1%	0.0%	0.0%	8.7%	0.0%	0.0%	n.m.	n.m.	n.m.	-37.0%	-34.8%	-34.8%	32.0%	32.0%	32.0%							
Novozymes	DKK	155,748	167,063	-0.1%	-2.5%	6.7%	17.4%	2.0%	59.7%	10.7%	9.7%	35.8%	36.7%	35.1%	36.3%	34.6%	52.7%	36.2%	37.8%	38.6%							
Codexis	USD	191	175	13.0%	0.9%	51.7%	32.3%	-49.4%	-15.4%	10.0%	16.4%	-3.8%	-10.8%	-31.8%	-18.6%	-13.3%	-68.5%	-76.9%	-72.5%	n.a.							
Yield10 Bioscience	USD	0	1	-10.4%	-0.9%	-23.2%	-26.7%	-86.7%	n.m.	0.0%	0.0%	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.							
Lonza Group	CH	36,474	39,908	6.8%	4.5%	-12.5%	14.6%	8.3%	-2.1%	17.2%	11.6%	27.3%	26.8%	22.7%	30.8%	32.2%	29.8%	29.0%	28.9%	29.9%							
Ashland	USA	2,442	3,488	-28.4%	-4.6%	1.7%	-1.7%	-7.4%	-5.1%	-5.8%	n.a.	18.8%	21.6%	22.2%	21.8%	23.8%	21.2%	22.0%	23.2%	n.a.							
OCI NV	NL	2,152	408	-2.6%	1.8%	95.2%	64.0%	-48.5%	-19.8%	-48.0%	2.2%	28.6%	22.8%	24.0%	40.1%	40.1%	24.2%	4.9%	15.5%	17.8%							
Wacker Chemie AG	DE	3,103	4,087	-1.0%	-4.8%	32.3%	32.2%	-22.0%	-10.6%	5.9%	8.0%	18.2%	15.8%	14.2%	24.8%	25.3%	12.9%	13.3%	12.8%	14.8%							
Median best peers				11.0%	0.9%	51.7%	23.7%	-46.1%	5.9%	9.9%	10.9%	27.3%	22.8%	22.7%	29.0%	28.8%	24.2%	22.0%	23.2%	23.8%							
Arterra	ITA	14.0	8.4	21.8%	18.8%	7.0%	15.1%	-6.6%	6.4%	8.5%	13.7%	38.3%	34.1%	37.2%	37.7%	40.2%	32.1%	32.5%	33.4%	34.5%							

Source: Banca Profilo estimates and elaborations on Factset

Multiples de-rating

EV/SALES:

2.9x from 4.1x

EV/EBITDA:

10x from 13.6x

Consistently with our sample split up, we use EV/SALES 2025E at 2.9x (vs previous 4.1x), on average of the first sub-sample and EV/EBITDA 2025E at 10x (vs previous 13.8x). Arterra trades more than 50% and 55% below the two sub-samples' mean respectively, despite similar revenue perspective growth and well above average EBITDA margin.

Table 9: Market multiples

Company	EV / Sales		EV / EBITDA	
	2025E	2026E	2025E	2026E
09/04/2025				
BRAIN Biotech	1.0x	0.9x	27.5x	11.3x
Croda	2.5x	2.4x	10.2x	9.1x
Symrise	2.8x	2.6x	13.2x	12.3x
Fermentalg	1.1x	0.7x	n.m.	n.m.
Plant Advanced Technologies	6.9x	6.9x	n.m.	n.m.
Novozymes	5.3x	4.8x	14.0x	12.5x
Codexis	2.7x	2.3x	n.m.	n.m.
Yield10 Bioscience	1.4x	1.4x	n.m.	n.m.
Lonza Group			17.9x	15.5x
Ashland			7.8x	7.0x
OCI NV			1.3x	1.1x
Wacker Chemie AG			5.2x	4.2x
Mean best peers	2.9x	2.7x	10.0x	8.8x
Arterra	1.5x	1.3x	4.4x	3.8x
premium (discount) on best peers	-49%	-52%	-56%	-57%

Source: Factset. All multiples are calendarised

Source: Banca Profilo estimates and elaborations on Factset

1-year forward market multiples

Over the past year, our Sample's market multiples have risen in terms of EV/EBITDA 1Y-forward (+10% yoy), whereas the EV/Sales has remained basically unchanged. Since our last report in

stable over the past year

October 2024, the EV/Sales has remained substantially unchanged whereas the EV/EBITDA 1y-forward has decreased by 5%.

Figure 15: Sample market multiples evolution (one year analysis)



Source: Banca Profilo elaborations, Bloomberg

Relative market multiples valuation
Equity Value €22mIn
(-25%)

Market multiples valuation includes a 15% liquidity discount and an Equity valuation of Vitalab (at 40% stake) on the mean EV/SALES 2025E at 2.9x (vs previous 3.4x) on its 2024 sales at €1.9mIn (vs projected e2.2mIn), leading to a value of €2.3mIn (vs previous €3.6). We end up with an Equity Value of €21.8mIn, which is some 25% below our previous €29.6mIn as the results of lower market multiples, lower FY24 Vitalab sales and lower net cash at the end of 2024.

Table 10: Market multiples valuation

Valuation on market multiples (€'000)			
Arterra on EV/SALES (business + growth)	2025E	Arterra on EV/EBITDA (margins + cash flow generation)	2025E
EV/Sales best peers	2.9x	EV/EBITDA best peers	10.0x
sales	5,716	EBITDA	1,908
net debt December 2024	-5,555		
EV	16,621	EV	18,989
Equity Value	22,177	Equity Value	24,544
Average Equity Value	23,360		
Vitalab (@ 40%) on EV/SALES 2025E			
EV/Sales	2.9x		
sales 2024	1,989		
net debt (adj)			
EV	5,785		
Equity	5,785		
(40% stake)	2,314		
Arterra (including Vitalab @ 40%) 2025E			
liquidity discount	15%		
	21,823		
Average 2022E EV/SALES - EV/EBITDA			
	21,823		

Source: Banca Profilo estimates, Factset

Valuation:
BUY confirmed
12-month TP raised to €3.6 from €3.2/share

To summarize, we end up with a DCF equity valuation of €27mIn or €4.1/share (unchanged vs our previous Company Update) and with a relative market multiples valuation of €22mIn (-25% vs previous Company Update) or €3.3/share. Despite the Equity Valuation, as the average of DCF and market multiples, came below our previous Company Update in October we raised our 12-month target price to €3.6/share from the previous 3.2/share. The reason behind this is: i) FY24 are now viewed as solid and sustainable, especially when compared to 1H24 figures and ii) a good start of 2025 add to the confidence. BUY is confirmed.

APPENDIX

Biotech serving the irreversible trend of product sustainability

Arterra: know-how in biological science to develop active innovative and green compounds

Arterra Bioscience is an Italian, innovative SME, research-based biotech company with a strong know-how in biological science and an extensive experience in screening for the discovery of new active compounds with potential multiple industrial applications, such in Cosmetics, Nutraceutical, Agriculture and Agri-food. By studying signal transduction mechanisms in plants, animals and human cells, Arterra uses its technological platforms to verify the existence of molecular activity in various type of natural resources, which might have simultaneous industrial applications.

Figure 16: Biotech sources of research and fields of application



Source: Company Data

Arterra: strong know-how and experience for simplifying needs of many industries in the persisting search for clean substitutes to chemicals

Arterra's research activity is focused on the so-called Green Biotech (from plants and agricultural processes to innovative active ingredients) and White Biotech (from raw materials to valuable compounds). Other Biotech source of research are: the sea and its organism (Blue Biotech) and genetics (Red Biotech). Arterra also uses algae and microalgae in the Blue Biotech, whereas from Red Biotech it acquires data on genetics and drug discovery and uses them for potential innovation and discovery addressable to other needing sectors. Arterra's main areas of activity are: technological screening platforms; plants and cellular farming to brew or modify to obtain rich molecules; process innovation mostly in the extraction phases. Arterra's bio factories and biomass production have applications in various fields simultaneously: the Company's core and current end market is Cosmetics, whereas new and potential sectors are Nutraceuticals, functional food and Agri-food processing

Arterra: ready to serve the most active sectors in the global trend to sustainability.

The global industry is in an irreversible trend of finding ways to sustainable products and processes. Arterra is ready to serve the most active sectors in this global trend, through both its innovative technologies and its range of bio-sustainable active ingredients that can be applied not only to various end-markets but also to different segments in the same sector (from mass green to prestige luxury products, mostly in Skincare).

Ongoing research projects on rich

The most active market is Cosmetics, Arterra's core end-market, followed by Pharmaceutical, Nutraceutical, Agriculture and Agri-food.

<p>biomolecules for application in:</p> <p>Medical Devices</p> <p>Nutraceutical</p> <p>Agriculture</p> <p>Agri-food</p>	<p>The Pharmaceutical industry is investing in new applications using natural ingredients which are easier to be absorbed by the organism. Arterra has several ongoing research projects to find ways to add natural ingredients in the recipes of different Medical Devices (as any product that acts physically and mechanically, not biologically), mostly treatments addressed to the gastrointestinal, respiratory, and nervous systems.</p> <p>The Nutraceutical industry is experiencing a growing demand of food supplements to add to one's diet, when lacking some key nutrients. Arterra is developing methods to enhance quality and concentration of natural ingredients to be added to food supplements based on solid research, effective screening, and robust tests.</p> <p>Agriculture is gradually shifting towards sustainability as consumers are increasing their attention towards organic food and key players are introducing sustainable techniques for producing and protecting crops in place of chemical pesticides and fertilizers. Arterra is developing tools to enhance the use of bio solutions for pest control, for protecting the plants from climate stress, for quality improvement.</p> <p>In the Agri-food industry there is a strong and increasing interest for natural food preservatives and additives as consumers' attention on both the production and conservation of food has been significantly increasing. Main players have begun investing in biological molecules that can act as natural preservatives or coloring. Arterra is working on various active ingredients acting as antioxidants to be used for natural preservation of fresh food.</p>
Arterra's core end-market: Cosmetics	<p>Cosmetics is Arterra's core end-market, reached both through a partnership agreement with Intercos, which buys Arterra's active compounds and put them into its formulas, (mostly sold to make-up and skincare global brands of various positioning, from mass, to private label to prestige brands), and an equity co-participation in the joint venture Vitalab (25% Arterra and 75% Intercos), which distributes Arterra's active ingredients mostly to skincare multinational global and luxury global brands. In 2022, the turnover coming from Cosmetics (skincare) was 60% of revenue, the remaining coming from Research contracts and other Services.</p>
High productivity and quick time to market of the active compounds in skincare	<p>The productivity of the active compounds used in Skincare is particularly high: 1kg of active compound produces from 200kg (in the suggested formulas) to 1000kg of final product (if used for mass market/marketing purposes). The time to market in Cosmetics is shorter than in other end markets: from 3 to 6 new active ingredients have been released every year, which compares to 3 to 5 years in Agriculture, as an example.</p>

Arterra : overview and business model

History, overview and activities

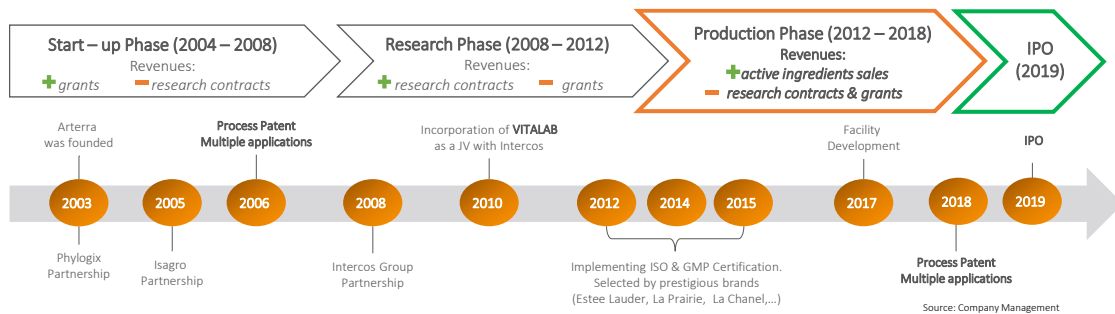
<p>Founded in 2004 by Gabriella Colucci in Naples, as a spin-off of Arena Pharma Biology division (San Diego, USA). A key partner for bio innovation to various end-markets</p>	<p>Arterra Bioscience was founded in 2004 in Naples by Gabriella Colucci, an Italian Scientist who returned to Italy after more than four years as Senior Research Scientist at Arena Pharmaceuticals (a listed company on NASDAQ), leading the Plant Biology Team. Arterra is a spin-off of Arena Pharmaceuticals from which it took the biotechnology developed by Ms. Colucci during the years spent in the US Company. Arterra started bio research for industrial applications more than 15 years ago, anticipating an urgent need, a mandatory and irreversible global trend today. Other than being Ms. Colucci native city, Naples has been chosen as Arterra's headquarter for: i) its competitive R&D costs (including labour, leasing, transportation, and utilities); ii) being in the South and thus having an easier access to substantial support by the EU funds for Bioscience research; iii) the local presence of accredited universities and Research Centers from which highly qualified scientists come out.</p>
<p>From a small research group to a</p>	<p>At the beginning of its activity, in 2004, Arterra's main sources of revenue were the research grants from public institutions (Regione Campania, MISE, MIUR and the European Union). In</p>

profitable biotech company

2005, Isagro invested a 22% stake in Arterra and became financing the bio research for innovation in Agriculture. Arterra's first patent was in this field, but immediately the Company discovered its perfect fit and application to Cosmetics. In 2007, research grants contributed about 55% and research contracts for less than 20% of total revenue. Starting from 2008, both the agreement with Intercos for developing new active compounds for skincare and the setting up of the joint venture, Vitalab, for the distribution to clients different from Intercos', marked the shifting of revenue from mainly public research grants to research contracts.

In 2022, turnover for the selling of active compounds contributed for almost 60% of Total Revenue, that for research contracts weighed 11% and public grants 33%. Starting from 2017, the bio facility was extended and further developed and Arterra started the production of new active bio ingredients for different end-markets, thanks to a new process patent with multiple industrial applications. Starting from the second half of 2019, the first round of significant investments, using IPO proceeds, have been made for doubling production capacity and optimizing production processes. Moreover, the organizational structure has been strengthened by appointing: an R&D coordinator (V. Fogliano), a Chief Operating Officer (G. Ferrante), a Grant & IP Director (M. Bimonte), a Cell & Molecular Biology Director (A. Tito) and a business developer (B. Cicatiello).

Figure 17: from a research group to a profitable biotech company



Source: Company Data

Research and technology to get active ingredients from food and agriculture waste. Plant extraction and Agri-food by-products in-house.

From 1kg of raw materials to >5kgs of active ingredients and up to 1000kgs of skincare finished goods

Profitability and production capacity are main reasons to choose between product Production or IP Licencing

Supported by an excellent research and tech team (most of them hold a Phd in Biology, Biotech, LifeScience or Genetics) and by the long experience and endless passion of Gabriella Colucci, Arterra uses cells from plants or algae as bio-factories to extract and produce, through sustainable procedures, active and valuable molecules (Plants Extraction production process). Typically, from 1kg of raw materials the transformation process can obtain more than 5kgs of finished product. Moreover, Arterra uses waste from food and agriculture to search for and develop new active ingredients (Agri-food by-products production process). The Agri-food by-products in-house transformation and production process to get to active compounds from food and agriculture waste includes: Agri-food-by-products, washing and freezing phases, extraction, lyophilization, and dissolution in glycerol. Typically, from 1kg of raw materials the upcycling transformation process can obtain about 10kgs of finished product (creating value from food waste, much more than simply recycling food waste). Furthermore, depending on the quantity of active compounds used in the products formulas (skincare products, in Cosmetics, for example), 1kg of active compounds can lead to 200kgs (luxury, prestige skincare product) up to 1000kgs of finished goods (mass market, marketing-based skincare product).

To summarize, Arterra's revenue comes from different sources: research grants, research contracts, product selling and licencing royalties.

Active compounds might be either produced and sold or their related in-house Intellectual Property (IP) might be licenced out. The decision depends on end-market applications. Typically, Cosmetics is a high-tech industry, made of small volumes, but very high margins; thus, it can be well served with Arterra's ingredients. Opposite, Agriculture is typically made of

large volumes, low margins, and a very long time to market; it can be well served by Arterra's Ips licencing.

Moreover, in terms of time to market, in Cosmetics this is much quicker than in any other industry: 3 to 6 new active compounds are introduced every year in Cosmetics, whereas in Agriculture the time for a new active ingredient to land on the market can range from 3 to 5 years.

Figure 18: Arterra's reach of global brands in Cosmetics



Source: Banca Profilo on Company data

**Key partnerships:
Isagro and Intercos**

In Agriculture, Arterra has been selected by Isagro, that in 2005, invested directly a 22% stake, which went down to 16.5% after the IPO. Isagro has become the right channel for the licencing of Arterra's patented technology in Agrochemical. However, so far, no significant bio-solutions have been applied to Agriculture. In 2020 Isagro was acquired by Gowan, a worldwide provider of agricultural products and in April 2022 Isagro disposed the whole stake increasing Arterra floating shares.

In Cosmetics, Arterra has been selected by Intercos as its research partner and preferred supplier of innovative active ingredients to be applied especially in skincare. According to their agreement, Arterra has a research contract with Vitalab worth more than €500k to develop three active ingredients every year; in the first year Intercos has the exclusive right to use the active ingredients in its products; starting from the second year the active compound is commercialized through Vitalab. Intercos owns an 8.7% of Arterra.

**The distribution in
Cosmetics is
demanded to Intercos
and Vitalab.**

Clients range from
multinational to SME,
from mass to
prestige skincare or
make up brands

Intercos and Arterra founded the commercial joint venture, Vitalab, with the purpose of distributing Arterra's active compounds into the global cosmetic market. Arterra owns 25% of Vitalab with a call option up to 40%, whereas Intercos owns the remaining 75%. According to their agreement, Arterra's ingredients for Cosmetics products are sold through either Intercos or Vitalab, which interact directly with global brands. Thanks to this agreement, Arterra can reach multinational global and prestige brands, make-up and skincare brands having a mass to private labelled to luxury positioning thanks to multiple and democratic applications of Arterra's valuable molecules. In 2019, Arterra core Cosmetics end-market weighed 60% of total turnover and Intercos' contribution was over 80%. Vitalab significantly increased its contribution from €1.3mIn in 2019 to almost €3mIn in 2021.

Figure 19: Arterra with Intercos and Vitalab in Cosmetics



Source: Company data

A scalable and profitable business model

Biomass production is a replicable and a low cost process allowing outstanding yields

Arterra's business model is scalable: R&D activity is for either production and sales of active ingredients (through Intercos and Vitalab) or for licensing to third parties in-house developed Intellectual Property (IP) to be applied simultaneously to different end markets and positioning (cross sector, cross technology and from mass to luxury products). Applications vary from the anti-age compounds in Cosmetics, to natural pesticides in Agriculture to natural preservatives in fresh Food to a bio gastrointestinal defender in Medical Devices. The business model is profitable as biomass production to get innovative active ingredients is a very low-cost process. Bio-factories allow for outstanding yields with relatively limited expenses and investments. Typically, from 1kg of plant stem cells, Arterra's bio farms produce more than 5kgs of active compound, via cells reproduction, that can be sold in a range of 4x to 10x the cost of raw materials. In the same way, from 1kg of Agri-food by-products Arterra's bio farms can typically develop about 10kgs of active ingredients that can be sold between 20x and 50x the cost of raw materials.

Figure 20: Profitable and scalable business model



Source: Company Data

In addition, the distribution phase of the value chain and the reach of global brands, mainly in Cosmetics, is set on a win-win partnership with Intercos and through an equity participation (together with Intercos) in the commercial joint venture Vitalab.

No investment in sales force is made with the focus on research and tech scientists.

Shareholders, Board of Directors and managers: long experience and sounded know-how

Listed in 2019 at €2.6

The Company was listed on the Euronext Growth segment of the Italian Stock Exchange on October the 28th 2019 at €2.6/share. The share capital is represented by 6.66mln shares.

€6.6mln shares

47% floating following the exit of Isagro

The Company is owned by:

- executive shareholders, the founder Gabriella Colucci with 27.9%;
- Alberto Previtali with 10.4%
- Intercos with 8.7%;
- Paolo Colucci with 6%;

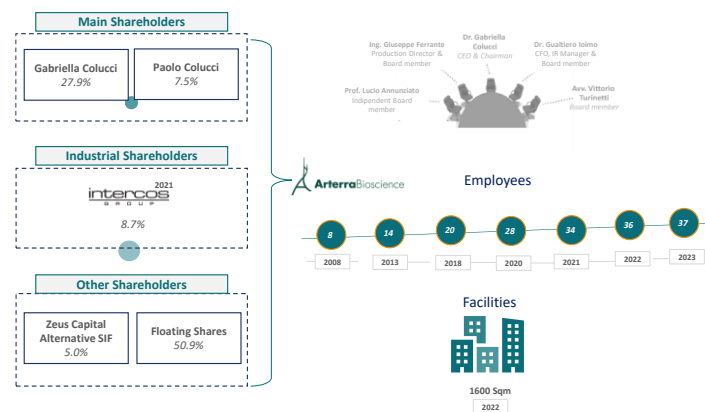
Floating shares are then 47% of the total.

Gabriella Colucci: Founder, Chairman and CEO

A rare mastermind leaving US and returning to Italy

Arterra's founder, Gabriella Colucci built more than 30 years of Academic research experience in Italy, Nigeria, USA and Australia. She is the author of more than 40 scientific publications and 18 patents. She worked for more than 4 years in San Diego as Senior Research Scientist at Arena Pharmaceuticals, leading the Plant Biology group. In 2003, she left San Diego and returned to its native Naples, where she founded Arterra Bioscience, as a spin-off of Arena Pharmaceuticals. She won the Marisa Bellisario Prize, the EU Prize for Women Innovations in 2018 and the Rising Star in Cosmetics Global in 2019.

Figure 21: Arterra shareholders and BoD



Source: Company Data

The Board of Directors

Gabriella Colucci (founder, Chair and CEO), Gualtiero Iomo (CFO, IR Manager) and Giuseppe Ferrante (Production Director) sit in the Board of Directors of Arterra which also includes the lawyer Vittorio Turinetti and Prof. Lucio Annunziato, as independent board members.

Key partnerships: Isagro, Intercos and Vitalab

In 2005, Isagro acquired a 22% of Arterra to partner for research-based bio innovation in Agriculture. In 2008, Arterra signed an agreement with Intercos and became its biotech research arm in Cosmetics. Arterra develops 3 active compounds every year in either Skincare or Make up. The active ingredients are bought by Intercos that has exclusive use for the first year; thereafter, the same ingredients are distributed globally through the joint venture Vitalab (25% owned by Arterra - with an option to go up to 40% and with the right to receive 40% of Vitalab's distributed income - and the remaining by Intercos). In 2019, through the IPO process, Intercos became a shareholder in Arterra.

Focus on: research and production processes optimization

Over €3.5mln capex since 2019 to enhance research capabilities, scale up production and increase productivity

Since 2019, Arterra increased its production capacity and research activity investing over €3.5mln. In 2021, The Company extended further its production plant, bought additional equipment, and invested in technology to enhance cellular growth. Among relevant investments: i) equipment for "ex vivo" tests on skin and human tissues for innovation in Nutraceutical and medical devices; ii) new lyophilizers; iii) expanding chemical laboratories for cellular growth. These investments led to an increase in productivity from 21kgs/day in 2021 to 50kgs/day in FY22. In 2024, over €600k investment have been made in Headquarter expansion and new equipment.

Table 11: Arterra new laboratories

Year	Fulfilled orders (kg)	Productivity kg/day	Productivity Euro/day	Outsourcing (Euro)	
				Cell Culture	Lyophilization
2019	8860	9	3150	147.800	8.800
2020	9117	21	7350	272.636	8.000
2021	13.335	21	7.350	14.400	20.000
2022	E. 14.500	50	17.500	62.560	8000

Source: Company data

Simplifying and streamlining research

In 2020-2022 Arterra strengthened its organization by appointing a COO (Giuseppe Ferrante), an R&D Coordinator (Vincenzo Fogliano), a Grant & IP Director (Marida Bimonte), a Cell & Molecular Biology Director (Annalisa Tito) and a Marketing & Sales Project Manager (Maura

and production processes

Angelillo). At the end of June 2023, there were 37 employees, including 13 PhDs, 11 with a Master of Science and the remaining with either a bachelor's degree in science or a Tech Diploma.

Figure 22: Arterra top management

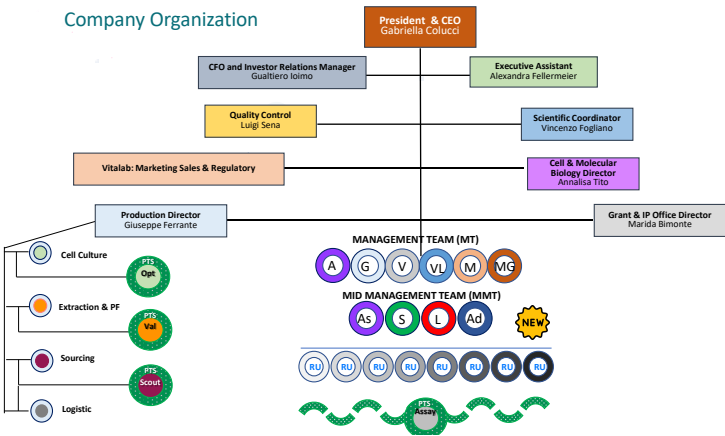


Source: Company data

Introducing the Middle Management for better Research process transmission

In 2023, Arterra introduced a new organizational layer, the Middle management, to streamline research and production processes. Within this new organization, research ideas arise from multidisciplinary research units with all processes managed by an internal technical-scientific Committee. This process is constantly on track to catch new opportunities. Every 15 days, the Company takes part to the seminar “Science for Breakfast” on new topics, with the aim to find hints and ideas for the next project.

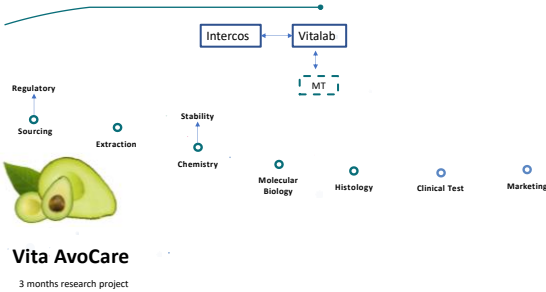
Figure 23: Arterra top management



Source: Company data

Each research unit is market oriented, and the scientific idea must be brought to either a product or a technology. In Cosmetics, the time to market is between 3-4 months.

Figure 24: Arterra research process – the Vita AvoCare case study



Source: Company data

ESG analysis

Sustainability report

ESG and the Sustainability of Competitive Advantage

Every active investor seeking value should be aware of how companies deal with environment, social and governance issues, since these are factors that can improve corporate value. In a world where companies are increasingly facing environmental issues, such as climate change and pollution, as well as social factors such as diversity and inclusion, gender balance and product safety, attention to ESG issues has become a competitive advantage.

Arterra: Sustainability Report

To best involve stakeholders and to communicate in an increasingly transparent way its ESG goals, Arterra published its Sustainability Report in accordance with both GRI and SDGs standards.

Sustainability for Arterra

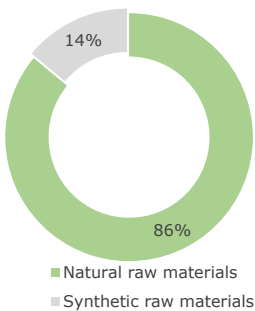
Arterra, a biological and molecular R&D company applied to cells of natural origin

Beyond sustainability standards and goals, Arterra naturally generates positive externalities with its core activities. In fact, the Company operates in the Research and Development of biological molecules to extract innovative active ingredients mainly for Cosmetics, but with potential applications in Agriculture, Nutraceuticals and Pharmaceutical. Arterra has always focused on green biotechnologies as a tool for sustainable innovation and a potential boost to the circular economy. The Company develops sustainable products, such as active ingredients from plant-based raw material and uses certified sustainable production processes.

Arterra is leader in biological and molecular research on plant-based raw materials

Arterra's main production process consists of the processing of raw materials in liquid culture, a process free of any type of microbiological contaminant or environmental pollutant. Raw materials are on average 86% natural, the remaining being synthetic. To increase the incidence of natural raw materials and seek constant innovation, Arterra has recently launched a project in collaboration with Montecarlo Fruit, a supplier of quality fruit and vegetables on a global scale, for producing active ingredients from fruit waste.

Figure 25: Raw materials breakdown between natural and synthetic ones



Source: Banca Profilo on Company data

Materiality assessment

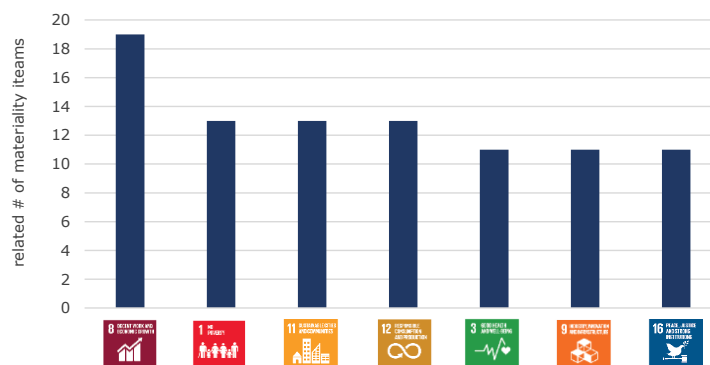
Arterra carried out a Materiality Assessment to identify priority sustainability disclosure items, set most relevant issues for the Company and its stakeholders, and finally to decide which issues should be included (and updated) in the Report.

SDGs vs corporate goals: n. 8, 1, 11, and 12 are those Arterra is more sensitive to

By relating the material topics identified through the Materiality Map to the seventeen Sustainable Development Goals (SDGs), it emerges that SDGs 8, 1, 11, and 12 are the most sensitive ones for Arterra.

- Goal 8 promotes inclusive and sustainable economic growth as well as decent work for all. This goal is particularly sensitive for the Company as Arterra guarantees higher levels of economic productivity mainly through technological upgrading and R&D, promotes development-oriented policies that support productive activities, decent job creation, creativity, and innovation. Moreover, Arterra particularly cares to progressively improve global resource efficiency in production and responsibly select suppliers.
- Goal 1 promotes to end poverty in all its forms everywhere. Arterra promotes this goal mainly by implementing appropriate social protection systems and granting equal rights to economic resources.
- Goal 11 makes cities and human settlements inclusive, safe, resilient, and sustainable. Arterra promotes this goal mainly thanks to the strong connection with the Neapolitan and Campania territory, from which Arterra obtains natural raw materials used in its processes. Arterra is also promoter of Est(ra)Moenia, an association aimed at implementing projects that enhance the Naples surrounding areas and East Naples.
- Goal 12 ensures sustainable consumption and production patterns. Arterra promotes this goal by achieving the sustainable management and efficient use of natural resources and the sound management of chemicals and all wastes throughout their life cycle.

Figure 26: Raw materials breakdown between natural and synthetic ones



Source: Banca Profilo on Company data



Arterra "ID Card"

Recommendation

BUY

Target Price

3.6 €

Upside

71%

Company Overview

Arterra Bioscience is an Italian research-based biotech company with a strong know-how in biological science and an extensive experience in screening for the discovery of new active compounds able to have various potential industrial applications in multiple end markets, such as cosmetics, nutraceutical, agriculture and agrifood. By studying signal transduction mechanisms in plants, animals and human cells, Arterra uses its technological platforms to verify the existence of molecular activity in various type of natural resources (from plants, to microalgae to food waste), which might have simultaneous industrial applications. Arterra, thus, represents an ideal partner to cross-sector companies who have not the financial or cultural strength to develop innovative technologies and bio-sustainable products, mainly in cosmetics (skin care and make up), food (supplements, functional food, natural preservatives), medical devices (acting on stomach, skin, brain, breathing and vascular systems), and agriculture (crop protection and yield enhancement). Since its foundation in 2004 Arterra has been showing strong revenue growth (>20%) and robust EBITDA, in a competitive scenario of international players with negative marginality.

SWOT Analysis

Strengths

- Outstanding R&D and high qualified Technology team
- A global market reach with limited sales force investments thanks to the partnership with Intercos and the equity participation in Vitalab
- Scalable business model as products and in house developed Ips can be applied simultaneously to different end-markets
- Profitable business model since its set up for a very low cost of raw materials and an effective and light organizational structure

Weaknesses

- Small size of the business
- End-markets concentration
- Non-optimized financial structure

Opportunities

- Bioscience great momentum as product sustainability has become the key mission of many industries
- Significant growth potential and resilience of Arterra's main end-market, the cosmetic industry

Threats

- Effective end-markets diversification within the planned time frame
- Potential difficulty in maintaining the independence from global multinational brands

Main catalysts

- 👍 Profitability improvement driven by the scaling up of production
- Significant growth fuelled by the needed bio innovation across industries
- Growing demand for functional make-up and Haircare

Main risks

- 👎 Effective end-market diversification within the business plan time frame
- Becoming dependent on global multinational brands
- China's path of recovery

Arterra
"ID Card"

apr, 14 2025 - 11:07

Recommendation

BUY

Target Price

3.6 €

Upside

71%

Main Financials

(€/000)	2021	2022	2023	2024	2025E	2026E	2027E
Total revenue	4,608	5,303	4,951	5,266	5,716	6,502	7,574
yoy change	35.6%	15.1%	-6.6%	6.4%	8.5%	13.7%	16.5%
EBITDA	1,735	2,133	1,591	1,712	1,908	2,240	2,694
EBITDA margin (%)	37.7%	40.2%	32.1%	32.5%	33.4%	34.5%	35.6%
EBIT	1,248	1,601	1,059	1,373	1,468	1,730	2,123
EBIT margin (%)	27.1%	30.2%	21.4%	26.1%	25.7%	26.6%	28.0%
Net income	1,111	1,414	1,076	1,337	1,397	1,616	1,940
Margin (%)	24.1%	26.7%	21.7%	25.4%	24.4%	24.9%	25.6%
Adjusted net debt (cash)	(4,199)	(5,502)	(5,672)	(5,555)	(6,548)	(7,590)	(8,494)
Shareholders Equity	9,473	10,467	10,752	11,423	11,973	12,607	13,411
Net Operating Working Capital	1,798	2,648	2,617	4,139	3,735	3,538	3,709
Capex and acquisitions	609	184	83	612	400	300	300
Free Cash Flow	385	779	1,328	(696)	1,618	1,791	1,799

Company Description

Company Sector	Health Care - Biotech
Price (€)	2.1
Number of shares (mln)	6.7
Market Cap (€ mln)	14.2
Reference Index	Euronext Growth
Main Shareholders	Gabriella Colucci, Previtali
Main Shareholder stake	27.9%
Free Float	47.1%
Daily Average Volumes	12,658
Sample of comparables	BRAIN, Croda, Symrise, Deinove, Evolva, Fermentalg, Plant Advanced Technologies, Novozymes, Codexis

Breakdown by business unit

(% of total sales)	2021	2022	2023	2024	2025E	2026E	2027E
Cosmetic turnover	71%	56%	53%	67%	70%	73%	75%
Research contracts and services	12%	11%	14%	12%	10%	10%	10%
Research grants	17%	33%	33%	21%	20%	17%	15%
Total revenue	100%	100%	100%	100%	100%	100%	100%

Data of peers

	2021	2022	2023	2024	2025E
Revenue Growth (yoy)	51.7%	23.7%	-46.1%	5.5%	9.9%
Arterra	7.0%	15.1%	-6.6%	6.4%	8.5%
EBITDA Margin	29%	29%	24%	22%	23%
Arterra	38%	40%	32%	33%	33%

Average data

Solvability Ratios

#RIFI	2021	2022	2023	2024	2025E	2026E
Net debt (cash) / EBITDA	#RIFI	-2.4x	-2.6x	-3.6x	-3.2x	-3.4x
Net debt (cash) / Equity	#RIFI	-0.4x	-0.5x	-0.5x	-0.5x	-0.6x

Financial and Operative ratios

#RIFI	2021	2022	2023	2024	2025E	2026E
Tax rate	-8%	-13%	-21%	-17%	-21%	-20%
ROIC	29%	24%	32%	21%	23%	27%
ROE	14%	12%	14%	10%	12%	13%
Capex/Sales	#RIFI	13%	3%	2%	12%	7%
D&A to capex	105%	80%	290%	644%	55%	110%

Source: Factset, Banca Profilo estimates and elaborations, Company Data, Factset

Multiples of peers

	2025E	2026E
Best peers (business and potential growth)		
EV / SALES	2.9x	2.7x
Arterra	1.5x	1.3x
Best peers (margins and cash flows)		
EV / EBITDA	10.0x	8.8x
Arterra	4.4x	3.8x



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